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C O N F I D E N T I A L SECTION 01 OF 03 RANGOON 000513

SIPDIS

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SUBJECT: THE BURMA-THAI BORDER TRADE CHRONICLES, PART III:
SANCTIONS, PEOPLE, AND ASSISTANCE

REF: A. RANGOON 497

B. RANGOON 488

C. RANGOON 138 AND PREVIOUS

D. 03 RANGOON 1552

E. 03 BANGKOK 7434

Classified By: COM CARMEN MARTINEZ FOR REASONS 1.4 (B,D)

¶1. (C) Summary: Despite predictions that new U.S. sanctions would cause major changes in border trade and migration, a recent visit by Bangkok and Rangoon Econoffs to two of the three major Thai-Burma border crossings (refs A and B) shows business as usual in the movement of goods and people. Though border trade has not spiked since the sanctions came into effect, it continues to grow because of the generally informal nature of the border trade. The flow of economic migrants to Thailand has also not risen dramatically since the new sanctions took effect, but thousands of Burmese continue to flock across the border in search of better economic opportunity. The Thai government has started some assistance programs aimed at developing Burma's border area economy. However, local businesspeople on both sides are skeptical that such an approach will have much impact. End summary.

Border Trade Booms Despite Sanctions

¶2. (C) Despite expectations of sharp spikes in border trade and economic migration due to new U.S. sanctions (which took effect in July 2003), on the Thai-Burmese border at Ranong (Thailand)-Kawthaung (Burma; ref B) and Mae Sot (Thailand)-Myawaddy (Burma; ref A) businesspeople said they'd seen few notable changes. Since July 2003, the volume of trade has continued to rise in both areas, though there has been no unusual jump in volume either legal or illegal. Thai traders in Mae Sot said they have noticed a more lax attitude at Burmese Customs to the free flow of goods in the last year. However, a Burmese trader in Kawthaung said that, to the contrary, import licenses for border trade have become dearer since Rangoon re-asserted control over issuance -- a right previously devolved to local GOB Border Trade Department officials.

¶3. (C) Border trade trends are independent from those of non-border commerce (which has fallen dramatically since last summer) because of the informal nature of border trade, even if done legally. Businesspeople contract almost exclusively with friends, and payments are nearly always routed via an unofficial, and illegal in Burma, hundi system. (The hundi system is an unofficial network that is used worldwide to send remittances and provide trade settlement across borders.) For legal border trade imports into Burma, underinvoicing is the rule, with hundi payments used make up the difference. Thai-Burma border traders are further insulated from the impact of the 2003 sanctions because they rarely use USD for their transactions, instead dealing in Burmese kyat or Thai baht.

¶4. (C) Thai businesspeople on the border were universally negative about the U.S. sanctions. Though they are unlikely democracy boosters and are no champions of the Burmese everyman, some pled the case of the "poor Burmese" suffering under sanctions-induced economic problems, making it impossible for them to "think of democracy." Others were more parochial, saying sanctions induced increased illegal immigration which burdened Thailand. Most supported PM Thaksin's decision to engage with the SPDC, saying the previous PM's support for U.S. policy on Burma had led to a GOB crackdown on Thai trade and businesspeople in general.

¶5. (C) However, Thai and Burmese businessmen did not blame sanctions for the poor economic climate in Burma and the need for smuggling. Instead they pointed to the mercurial trade policy of the GOB. All agreed that nearly all products could be traded legally or illegally depending on the current GOB restrictions.

Economic Migrants: An Unstoppable Flow

¶6. (C) It is clear that Burma's major export to Thailand at

both border points is people. An international NGO in Ranong (Thailand) told us as much as 40 percent of the city's 250,000 population is Burmese, the vast majority working in fish processing factories and in construction. Many more cross over and move further inland into Thailand seeking a better economic situation elsewhere. Likewise in Mae Sot, the population of Burmese migrants is very high, with 2,500-4,000 crossing into Thailand every day. Many return to Myawaddy at night, but many others stay to work in shops, in the agricultural sector, or in the foreign-owned garment factories of Mae Sot.

¶7. (C) Labor organizers in Mae Sot report that these migrants, even those few who register with the Thai labor authorities, face harsh working conditions and wages about 50 percent of the Thai minimum wage (about USD 3.50/day). However, even this small sum is probably 100-250 percent what they would make as laborers in Burma so the inflow of Burmese workers is relentless.

¶8. (C) Local representatives of World Vision, a USG partner in anti-trafficking and HIV/AIDS efforts in the region, report that while trafficking of Burmese women into Ranong is rare, Mae Sot does serve as a portal for trafficked persons and economic migrants to other destinations in Thailand. One estimate from Ranong was that only 10 percent of migrants there were "trafficked," and few illegal Burmese in town were working as prostitutes. Mae Sot has a more organized labor export business from Burma -- involving the private sector and authorities on both sides of the border -- which charged would-be migrants USD 175 a head to cross through the jungle and USD 375 a head to be smuggled in by truck.

¶9. (C) Thai NGOs and local factory owners told us that there had not been a large increase in migrants since the new sanctions, which also banned imports of Burmese products, took hold last July. However, the steady inflow of workers was certainly higher than the demand for cheap labor on the Thai side in both Ranong and Mae Sot. One labor NGO leader in Mae Sot said that he had seen an increase in female job seekers from Rangoon and Mandalay since the sanctions, alongside the normal crowd from Karen and Mon States.

Thailand's ECS Plan Has Little Impact at Border

¶10. (SBU) Since the initiation of the Economic Cooperation Strategy (ECS) program in 2003 (ref E), the RTG has worked to spur bilateral trade and provide technical training and development aid to Burma. The Thai Finance Ministry is currently considering eliminating import tariff rates on 751 products from Burma under the ASEAN Integrated System of Preferences (AISP). According to Thai Ministry of Commerce (MoC) officials, the RTG will soon allow duty free entry of eight agricultural products -- maize, sweet corn, soybeans, potatoes, eucalyptus, sesame seeds, and cashew nuts -- from Burma, Laos, and Cambodia. Under the ECS program, Thailand, a net importer of soybeans, plans to provide technical training to Burmese farmers to help improve quality; in Mae Sot, local businessmen opined that at some point in the future, contract farming might be a viable investment, boosting agricultural trade. In addition, the RTG has vowed to build a road from Myawaddy to the base of the Karen hills 18 km from the border as part of a larger effort to create a road link across central Burma, from Thailand to India. According to a Thai MFA source, this project is "well under way," with funding from the Asian Development Bank.

¶11. (SBU) Businessmen in Ranong, however, complained that the ECS program favors large Thai companies with close ties to leaders in Bangkok, and will likely have very little impact on the realities of cross border trade in the provinces. In any case, as both Thai MoC officials and local traders pointed out, the ECS program did little to improve the biggest hurdles in dealing with Burma -- the chronically uncertain investment climate. The constant threat of appropriation by the GOB leaves little incentive for Thai businessmen to seek local partnerships. A Thai MoC official noted that efforts to forge a bilateral investment and border trade agreement have been ongoing for almost ten years, with little success. Even if such an agreement were possible, she admitted, this document would still be "just paper."

Comment: Squeezing the Balloon

¶12. (C) The RTG's efforts to stimulate the border economy are logical considering the demand for some Burmese products and the desire to stem illegal migration. However, the success of this project, like so many other traditional efforts to develop Burma's rudimentary economy, will depend on the will of the Burmese regime to take advantage of the proffered assistance. For instance, the Burmese government is inexplicably banning the export of some of the products for which Thailand is thinking of allowing tariff-free access. Even if the ECS projects do not succeed in stimulating Burma's formal economy and legal trade, and U.S. sanctions continue, we are confident that the close personal links between businesspeople on both sides of the borders will ensure informal trade of goods continues to pick up a good

deal of the slack. Likewise, until employment opportunities in Burma increase drastically, the allure of even Thailand's worst-paying jobs will be significant for hundreds of thousands of poor Burmese. End comment

¶13. (U) This is a joint Embassy Rangoon-Embassy Bangkok cable.
Martinez